SENATE BILL NO. 502

INTRODUCED BY G. BARKUS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE REAPPRAISAL CYCLE FOR CERTAIN CLASSES OF PROPERTY; EXTENDING THE CURRENT REAPPRAISAL CYCLE FOR CLASS THREE, CLASS FOUR, AND CLASS TEN PROPERTY BY 4 YEARS; REVISING THE PHASING IN OF THE VALUE CHANGE IN CLASS THREE, CLASS FOUR, AND CLASS TEN PROPERTY; PROVIDING FOR PERIODIC REAPPRAISAL ON A 10-YEAR CYCLE AND THE PHASING IN OF NEW VALUES; AMENDING SECTIONS 15-6-193 AND 15-7-111, MCA, AND SECTIONS 12, 13, AND 14, CHAPTER 606, LAWS OF 2003; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-193, MCA, is amended to read:

"15-6-193. (Temporary) Extended property tax assistance -- phasein. (1) For the purpose of mitigating extraordinary market value increases during the revaluation cycle that ended December 31, 2002, the rate of taxation of class four residential dwellings and appurtenant land not to exceed 5 acres otherwise set in 15-6-134(2)(a) is adjusted in this section for properties with extraordinary increases in market value with owners that meet income requirements.

(2) An annual application on a form provided by the department is required to receive a tax rate adjustment under this section. The application must be signed under oath. A tax rate adjustment may be granted only for the current tax year and may not be granted for a previous year.

(3) A rate adjustment may not be granted for:

(a) any property that was sold or for which the ownership was changed after December 31, 2002, unless the change in ownership is between husband and wife or parent and child with only nominal actual consideration or the change is pursuant to a divorce decree;

(b) the value of new construction, including remodeling, on the property occurring after December 31, 2002, that is greater than 25% of the market value of the improvements; or

(c) a land use change occurring after December 31, 2002, that increases the market value of the land by more than 25%.

(4) For the purposes of determining the adjustment in the class four property tax rate in this section, the following provisions apply:

(a) The change in taxable value before reappraisal is the 2002 tax year value adjusted for any new construction or destruction that occurred in the 2002 tax year. The taxable value before reappraisal for the 2003 tax year and subsequent years is the same as the 2002 tax year value if no new construction, destruction, land splits, land use changes, land reclassifications, land productivity changes, improvement grade changes, or other changes are made to the property during 2002 or subsequent tax years.

(b) The percentage increase in taxable value is measured as the percentage change in taxable value before reappraisal to the taxable value after reappraisal. The taxable value before reappraisal is calculated by multiplying the value before reappraisal in 2003 times 0.69 times 0.0346. The taxable value after reappraisal is calculated by multiplying the 2003 market value after reappraisal times 0.66 times 0.0301.

(c) The dollar increase in tax liability is measured as the change in tax liability before reappraisal to the tax liability after reappraisal. The tax liability before reappraisal is calculated by multiplying the value before reappraisal in 2003 times 0.69 times 0.0346 times the tax year 2002 mill levy applied to the property. The tax liability after reappraisal is calculated by multiplying the 2003 market value after reappraisal times 0.66 times 0.0301 times the tax year 2002 mill levy applied to the property. The tax year 2002 mill levy is the total of all mills applied to the property for fiscal year 2003.

(d) Total household income is the sum of the income of all members of the household and all other persons who are owners of the property. Income, as used in this section, includes income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home. Net business income is gross income less ordinary expenses but before deducting depreciation or depletion allowance, or both. For an entity, as defined in subsection (8), income also includes the income of any natural person or entity that is a trustee of or controls 25% or more of the entity. A household is an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. For single-family rental dwellings, total household income does not include the income of the tenant.

(e) The phase-in value is the valuation change made pursuant to 15-7-111(3) since the last reappraisal.

(5) (a) If total household income is $25,000 or less, the percentage increase in taxable value is greater than 24%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate as follows:

(i) For tax year 2003, the tax rate is 0.03598 times the value before reappraisal divided by the 2003 phase-in value.

(ii) For tax year 2004, the tax rate is 0.03759 times the value before reappraisal divided by the 2004 phase-in value.

(iii) For tax year 2005, the tax rate is 0.03932 times the value before reappraisal divided by the 2005 phase-in value.

(iv) For tax year 2006, the tax rate is 0.04109 times the value before reappraisal divided by the 2006 phase-in value.

(v) For tax year 2007, the tax rate is 0.04289 times the value before reappraisal divided by the 2007 phase-in value.

(vi) For tax year 2008 and after, the tax rate is 0.04485 times the value before reappraisal divided by the 2008 phase-in value.

(b) If total household income is greater than $25,000 but less than or equal to $50,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate as follows:

(i) For tax year 2003, the tax rate is 0.03633 times the value before reappraisal divided by the 2003 phase-in value.

(ii) For tax year 2004, the tax rate is 0.03828 times the value before reappraisal divided by the 2004 phase-in value.

(iii) For tax year 2005, the tax rate is 0.04038 times the value before reappraisal divided by the 2005 phase-in value.

(iv) For tax year 2006, the tax rate is 0.04251 times the value before reappraisal divided by the 2006 phase-in value.

(v) For tax year 2007, the tax rate is 0.04467 times the value before reappraisal divided by the 2007 phase-in value.

(vi) For tax year 2008 and after, the tax rate is 0.04702 times the value before reappraisal divided by the 2008 phase-in value.

(c) If total household income is greater than $50,000 but less than or equal to $75,000, the percentage increase in taxable value is greater than 36%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate as follows:

(i) For tax year 2003, the tax rate is 0.03668 times the value before reappraisal divided by the 2003 phase-in value.

(ii) For tax year 2004, the tax rate is 0.03898 times the value before reappraisal divided by the 2004 phase-in value.

(iii) For tax year 2005, the tax rate is 0.04143 times the value before reappraisal divided by the 2005 phase-in value.

(iv) For tax year 2006, the tax rate is 0.04392 times the value before reappraisal divided by the 2006 phase-in value.

(v) For tax year 2007, the tax rate is 0.04646 times the value before reappraisal divided by the 2007 phase-in value.

(vi) For tax year 2008 and after, the tax rate is 0.04919 times the value before reappraisal divided by the 2008 phase-in value.

(d) The adjusted tax rate computed under this subsection (5) must be rounded to the nearest 1/100 of 1%.

(6) A person who applies for a tax rate adjustment under this section shall provide the department with documentation of total household income and other information that the department considers necessary to determine the person's eligibility for the tax rate adjustment. Documents provided to the department to determine eligibility for a tax rate adjustment are subject to the confidentiality provisions in 15-30-303.

(7) A person who applies for a tax rate adjustment and submits a false or fraudulent application for a tax rate adjustment is guilty of false swearing under 45-7-202.

(8) For the purposes of this section, "entity" means:

(a) a corporation, fiduciary, or pass-through entity, as those terms are defined in 15-30-101; and

(b) an association, joint-stock company, syndicate, trust or estate, or any other nonnatural person. (Terminates December 31, ~~2008~~ 2012 ~~-- sec. 14, Ch. 606, L. 2003~~.)

15-6-193. (Effective January 1, ~~2009~~ 2013) Extended property tax assistance -- phasein. (1) For the purpose of mitigating extraordinary market value increases during revaluation cycles that begin after December 31, ~~2008~~ 2012, the rate of taxation of class four residential dwellings and appurtenant land not to exceed 5 acres otherwise set in 15-6-134(2)(a) is adjusted in this section for properties with extraordinary increases in market value with owners that meet income requirements.

(2) An annual application on a form provided by the department is required to receive a tax rate

adjustment under this section. The application must be signed under oath. A tax rate adjustment may be granted only for the current tax year and may not be granted for a previous year.

(3) A rate adjustment may not be granted for:

(a) any property that was sold or for which the ownership was changed after December 31 of the last year of the previous revaluation cycle unless the change in ownership is between husband and wife or parent and child with only nominal actual consideration or the change is pursuant to a divorce decree;

(b) the value of new construction, including remodeling, on the property occurring after December 31 of the last year of the previous revaluation cycle that is greater than 25% of the market value of the improvements; or

(c) a land use change occurring after December 31 of the last year of the previous revaluation cycle that increases the market value of the land by more than 25%.

(4) For the purposes of determining the adjustment in the class four property tax rate in this section, the following provisions apply for revaluation cycles beginning after December 31, ~~2008~~ <u>2012</u>:

(a) (i) The percentage increase in taxable value is measured as the percentage change in taxable value before reappraisal to the taxable value after reappraisal. The taxable value before reappraisal is calculated by multiplying the value before reappraisal times the result of 1.00 minus the homestead exemption before reappraisal times the tax rate before reappraisal. The taxable value after reappraisal is calculated by multiplying the market value after reappraisal times the result of 1.00 minus the homestead exemption after reappraisal times the tax rate after reappraisal.

(ii) The tax rate before reappraisal is the tax rate that was in effect during the last year of the previous reappraisal cycle.

(iii) The tax rate after reappraisal is the tax rate that will be in effect during the last year of the current reappraisal cycle.

(iv) The homestead exemption before reappraisal is the homestead exemption that was in effect during the last year of the previous reappraisal cycle.

(v) The homestead exemption after reappraisal is the homestead exemption that will be in effect during the last year of the current reappraisal cycle.

(b) The dollar increase in tax liability is measured as the percentage change in tax liability before reappraisal to the tax liability after reappraisal. The tax liability before reappraisal is calculated by multiplying the value before reappraisal times the result of 1.00 minus the homestead exemption before reappraisal times the tax rate before reappraisal times the mill levy applied to the property before reappraisal. The tax liability after reappraisal is calculated by multiplying the market value after reappraisal times the result of 1.00 minus the homestead exemption after reappraisal times the tax rate after reappraisal times the mill levy applied to the property before reappraisal. The mill levy applied to the property before reappraisal is the total of all mills applied to the property in the last year of the previous reappraisal cycle.

(c) Total household income is the sum of the income of all members of the household and all other persons who are owners of the property. Income, as used in this section, includes income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home. Net business income is gross income less ordinary expenses but before deducting depreciation or depletion allowance, or both. For an entity, as defined in subsection (8), income also includes the income of any natural person or entity that is a trustee of or controls 25% or more of the entity. A household is an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. For single-family rental dwellings, total household income does not include the income of the tenant.

(d) The phase-in value is the valuation change made pursuant to 15-7-111(3) since the last reappraisal.

(5) (a) If total household income is $25,000 or less, the percentage increase in taxable value is greater than 24%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate must be calculated ~~such~~ so that the total increase in taxable value over the reappraisal cycle is 24% and ~~such~~ so that the change in taxable value is phased in over the reappraisal cycle in equal increments.

(b) If total household income is greater than $25,000 but less than or equal to $50,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate must be calculated ~~such~~ so that the total increase in taxable value over the reappraisal cycle is 30% and ~~such~~ so that the change in taxable value is phased in over the reappraisal cycle in equal increments.

(c) If total household income is greater than $50,000 but less than or equal to $75,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate ~~will~~ must be calculated ~~such~~ so that the total increase in taxable value over the reappraisal cycle is 36% and ~~such~~ so that the change in taxable value is phased in over the reappraisal cycle in equal increments.

(d) The adjusted tax rate computed under this subsection (5) must be rounded to the nearest 1/100 of 1%.

(6) A person who applies for a tax rate adjustment under this section shall provide the department with documentation of total household income and other information that the department considers necessary to determine the person's eligibility for the tax rate adjustment. Documents provided to the department to determine eligibility for a tax rate adjustment are subject to the confidentiality provisions in 15-30-303.

(7) A person who applies for a tax rate adjustment and submits a false or fraudulent application for a tax rate adjustment is guilty of false swearing under 45-7-202.

(8) For the purposes of this section, "entity" means:

(a) a corporation, fiduciary, or pass-through entity, as those terms are defined in 15-30-101; and

(b) an association, joint-stock company, syndicate, trust or estate, or any other nonnatural person."

Section 2. Section 15-7-111, MCA, is amended to read:

"15-7-111. Periodic revaluation of certain taxable property. (1) The department shall administer and supervise a program for the revaluation of all taxable property ~~within classes three, four, and ten~~ under 15-6-133, 15-6-134, and 15-6-143. All other property must be revalued annually.

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

(3) The department ~~of revenue~~ shall administer and supervise a program for the revaluation of all taxable property ~~within classes three, four, and ten~~ under 15-6-133, 15-6-134, and 15-6-143. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all ~~class three, four, and ten~~ property under 15-6-133, 15-6-134, and 15-6-143 in each county is revalued by January 1, ~~2008~~ 2012, effective for January 1, ~~2009~~ 2013, and each succeeding ~~6~~ 10 years. The resulting valuation changes must be phased in for each year until the next reappraisal. If a percentage of change for each year is not established, then the percentage of phasein for each year is ~~16.66%~~ 10%. The amount of change in valuation from the 2002 base year for each property classified under 15-6-133, 15-6-134, and 15-6-143 must be phased in each year at the rate of 7.1% of the change in valuation from December 31, 2005, to the appropriate percentage of taxable market value for each class of property."

Section 3. Section 12, Chapter 606, Laws of 2003, is amended to read:

"Section 12. Effective dates. (1) Except as provided in subsections (2) and (3), [this act] is effective on passage and approval.

(2) [Section 8] is effective July 1, 2003.

(3) [Section 2] is effective January 1, ~~2009~~ 2013."

Section 4. Section 13, Chapter 606, Laws of 2003, is amended to read:

"**Section 13. Applicability.** (1) [Sections 1 and 3 through 5] apply retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2002.

(2) [Section 2] applies to tax years beginning after December 31, ~~2008~~ 2012."

Section 5. Section 14, Chapter 606, Laws of 2003, is amended to read:

"Section 14. Termination. [Section 1] terminates December 31, ~~2008~~ 2012."

NEW SECTION. **Section 6. Applicability.** [This act] applies to property tax years beginning after December 31, 2005.

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